

May 11, 1999

TO: Senator Sid Snyder, Chairman
Senator Dan McDonald
Representative Hans Dunshee
Representative Brian Thomas
Fred Kiga, Director, DOR
Dick Thompson, Director, OFM

FROM: Chang Mook Sohn, Executive Director
Office of the Forecast Council

SUBJECT: MAY 10, 1999 REVENUE COLLECTION REPORT

After a month of slightly weaker than expected collections, revenue rebounded strongly in the April 11 - May 10 collections period, with General Fund-State collections exceeding the estimate by \$39.9 million. Revenue Act (sales, B&O, use and public utility taxes) and real estate excise taxes were the primary sources of the stronger than expected collections. This month's receipts include some special factors (a very large audit payment, partially offset by some unusually large refunds) that account for about forty percent of the month's \$39.9 million variance. Even without the special factors, collections were much higher than expected, reflecting a remarkably healthy economy. With this month's strong performance, cumulatively collections are now \$38.9 million above the estimate for the two months since the March forecast.

Revenue act collections were \$38.7 million above the estimate for the month, about \$14.6 million due to special factors. Growth for the period was strong with receipts 9.7 percent above a year-ago. Growth was 9.2 percent after adjusting for legislative changes and the impact of this month's special factors. This was the largest increase since July 1998. With this month's increase growth for the first quarter of 1999 is 7.5 percent, well above last quarter's 5.8 percent and higher than our assumption for income growth (6.1 percent). The surge in revenue act receipts appears directly related to the strength of the national economy. Although real GDP growth did slow to a 4.5 percent annual rate in the first quarter, it nevertheless grew faster than we were assuming. The real story in the first quarter, however, was the amazing strength of the consumer sector. A high level of confidence, growing incomes and increasing wealth lead to accelerating spending and much higher than expected revenue. At the national level real consumer spending accelerated at a 6.7 percent annual rate in the first quarter, the strongest increase since the 1985. This pushed U.S. retail sales up 8.3 from the year-ago level in the first quarter, the largest year-over-year gain since the first quarter of 1988. In addition to strong consumption investment growth was also very healthy in the first

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quarter. The outlook for the national economy continues positive which should continue to bode well for the state's economy and revenue.

Preliminary data on taxes paid during the April 11- May 10 collection period continues to indicate strong growth in the retailing and construction sectors. Within the retailing sector, the auto and the furniture and household equipment sectors were again very strong. There were a couple areas of weakness. Tax payments in both the manufacturing and service sectors declined for the current period based on preliminary data. The weakness in the service sector is due in part to the reduction the B&O tax reduction on service activity; the weakness in manufacturing likely reflects the impact of weaker exports due to the problems in key Asian economies.

Non Revenue Act General Fund taxes collected by the Department of Revenue were \$2.2 million above the forecast in April. Higher than expected real estate excise and leasehold excise tax receipts more than offset weaker than expected estate and property tax collections for the month. Cumulatively, non Revenue Act sources are \$4.3 million more than expected, with the real estate excise tax accounting for more (\$6.2 million) than the \$4.3 million total.

Although real estate activity slowed a little in March after accelerating sharply in February, growth nevertheless exceeded expectation. Real estate excise payments based on taxable closings reported by counties in March (reflecting payments to the state in April) were up 8.7 percent statewide. This is down from February's 17.5 percent increase. The strength of real estate activity in March appears to be more widespread than in recent months, with the areas outside the Seattle PMSA growing faster (13.7 percent) than those in the in the Seattle PMSA (5.2 percent). The near term outlook for real estate activity and tax revenue remains very positive, with a favorable interest rate outlook and solid economic growth expected to continue.

Other agencies' collections were \$0.9 million below the forecast in April. Department of Licensing General Fund collections were \$0.4 million more than anticipated. Cumulative their General Fund collections are \$1.3 million above expectations. The lottery's transfer to the General Fund was \$1.3 below the estimate for the month, and is \$3.8 million below the forecast cumulatively since the last forecast. The attached Table 1 provides a comparison of collections with the March forecast for the April 11 - May 10, 1999 collection period. Table 2 compares revised collection figures to the preliminary numbers reported in last month's collection report.

CMS:cg

Attachments

TABLE 1
Revenue Collection Report
May 10, 1999 Collection Report - Based on the March 1999 Forecast
Thousands of Dollars

<u>Period/Source</u>	<u>Estimate*</u>	<u>Actual</u>	<u>Difference</u>	
			<u>Amount</u>	<u>Percent</u>
April 11 - May 10, 1999				
Department of Revenue-Total	\$790,177	\$830,994	\$40,816	5.2%
Revenue Act** (1)	692,589	731,249	38,660	5.6%
Non-Revenue Act(2)	97,588	99,745	2,157	2.2%
Liquor Sales/Liter	5,778	6,225	447	7.7%
Cigarette	5,286	5,448	162	3.1%
Property (State School Levy)	41,340	39,800	(1,540)	-3.7%
Estate	5,719	4,473	(1,246)	-21.8%
Real Estate Excise	31,995	34,418	2,424	7.6%
Timber (state share)	0	0	0	NA
Other	7,470	9,380	1,910	25.6%
Department of Licensing (2)	13,374	13,779	405	3.0%
Lottery (2)	10,873	9,584	(1,289)	-11.9%
Total General Fund-State***	\$814,424	\$854,356	\$39,932	4.9%
Cumulative Variance Since the March Forecast (March 11- May 10, 1999)3				
Department of Revenue-Total	\$1,349,738	1,391,115	41,376	3.1%
Revenue Act** (3)	1,196,798	1,233,829	37,031	3.1%
Non-Revenue Act(4)	152,941	157,286	4,345	2.8%
Liquor Sales/Liter	11,120	11,739	619	5.6%
Cigarette	9,963	11,558	1,595	16.0%
Property (State School Levy)	52,925	50,287	(2,638)	-5.0%
Estate	14,272	10,787	(3,485)	-24.4%
Real Estate Excise	53,773	59,996	6,223	11.6%
Timber (state share)	0	0	0	NA
Other	10,888	12,919	2,031	18.7%
Department of Licensing (4)	24,476	25,756	1,280	5.2%
Lottery (4)	21,745	17,943	(3,803)	-17.5%
Total General Fund-State***	\$1,395,959	\$1,434,813	\$38,854	2.8%

1 Collections April 11 - May 10, 1999. Collections primarily reflect March 1999 activity of monthly taxpayers, and January through March activity of quarterly filers.

2 April 1-30, 1999 collections.

3 Cumulative collections, estimates and variance since the March forecast; (April 11 - May 10, 1999) and revisions to history.

4 Cumulative collections, estimates and variance since the March forecast; (March & April 1999 and revisions to history.)

* Based on the March 1999 economic and revenue forecast.

**The Revenue Act consists of the retail sales, B&O, use, public utility, tobacco products taxes, and penalty and interest.

*** Detail may not add due to rounding. The General Fund-State total in this report includes only collections from larger state agencies: the Department of Revenue, the Department of Licensing and the Lottery Commission, about 97% of total General Fund-State.

TABLE 2
April 10, 1999 Collection Report - Revised Data
Thousands of Dollars

<u>Period/Source</u>	<u>Collections Preliminary</u>	<u>Revised</u>	<u>Difference Amount</u>	<u>Percent</u>
March 11 - April 10, 1999				
Department of Revenue-Total	\$560,121	\$560,121	(\$0)	-0.0%
Revenue Act (1)	502,580	502,580	(0)	-0.0%
Non-Revenue Act(2)	57,541	57,541	0	0.0%
Liquor Sales/Liter	5,513	5,513	0	0.0%
Cigarette	6,110	6,110	0	0.0%
Property (State School Levy)	10,487	10,487	0	0.0%
Estate	6,314	6,314	0	0.0%
Real Estate Excise	25,578	25,578	(0)	-0.0%
Timber (state share)	0	0	0	NA
Other	3,539	3,539	(0)	-0.0%
Department of Licensing (2)	11,977	11,977	0	0.0%
Lottery (2)	8,359	8,359	(0)	-0.0%
Total General Fund-State***	\$580,457	\$580,457	(\$0)	-0.0%

Cumulative Variance: November 11 - March 10, 1999 & Revisions to History

Department of Revenue-Total	560,121	\$560,121	(\$0)	-0.0%
Revenue Act (3)	502,580	502,580	(0)	-0.0%
Non-Revenue Act(4)	57,541	57,541	0	0.0%
Liquor Sales/Liter	5,513	5,513	0	0.0%
Cigarette	6,110	6,110	0	0.0%
Property (State School Levy)	10,487	10,487	0	0.0%
Estate	6,314	6,314	0	0.0%
Real Estate Excise	25,577	25,577	0	0.0%
Timber (state share)	0	0	0	NA
Other	3,539	3,539	(0)	-0.0%
Department of Licensing (4)	11,977	11,977	(0)	-0.0%
Lottery (4)	8,359	8,359	(0)	-0.0%
Total General Fund-State***	\$580,457	\$580,457	(\$0)	-0.0%

P-Preliminary. Reported in the April 10, 1999 collection report.

R Revised data.

1 Collections March 11 - April 10, 1999. Collections primarily reflect February 1999 business activity of monthly taxpayers.

2 March 1-31, 1999 collections.

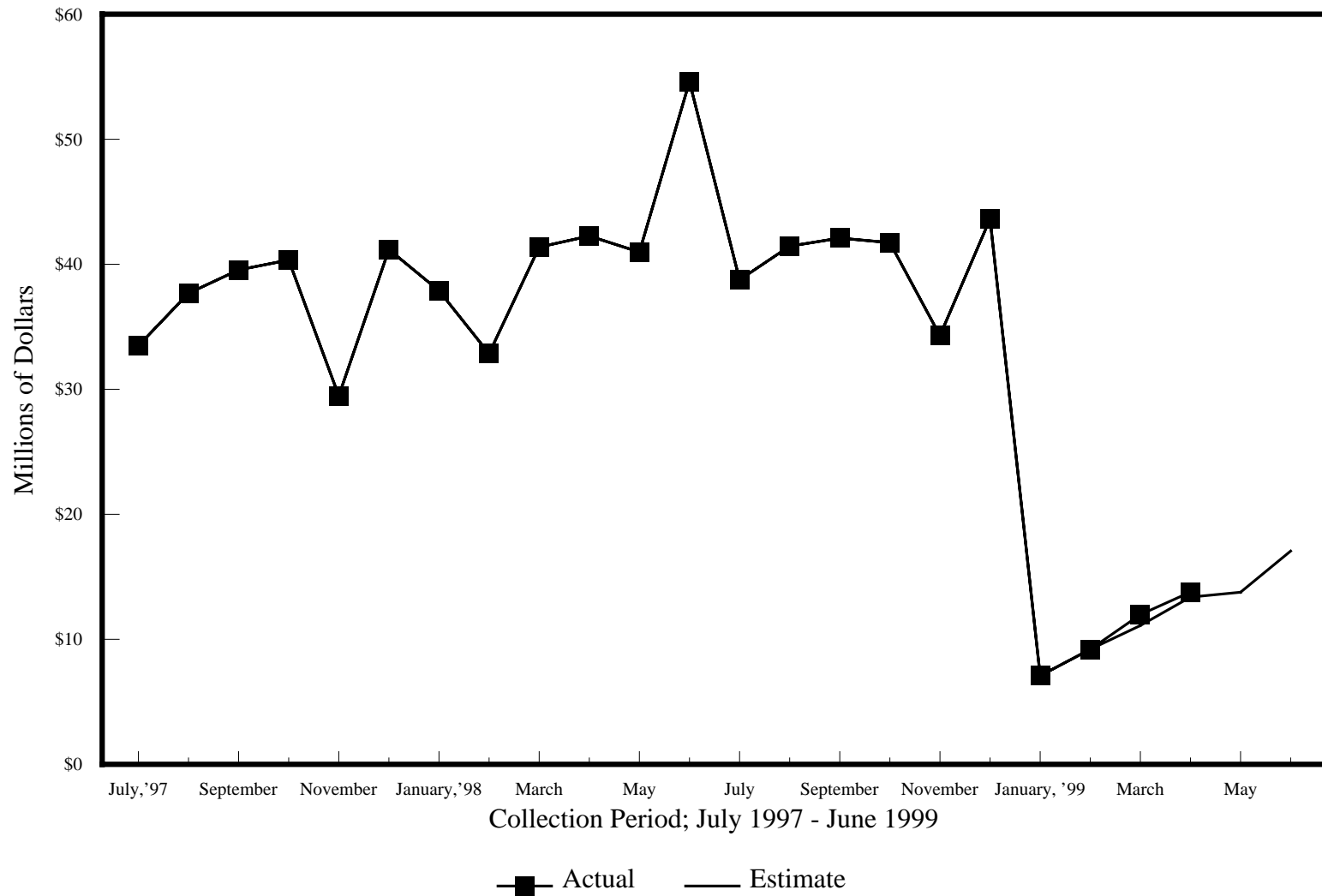
3 Cumulative variance for since the March forecast: March 11 - April 10, 1999, & revisions to history.

4 Cumulative variance: since the March forecast (March 1999) & revisions to history.

* Revenue consists of the retail sales, B&O, use, public utility and tobacco products taxes, and penalty and interest payments for these taxes.

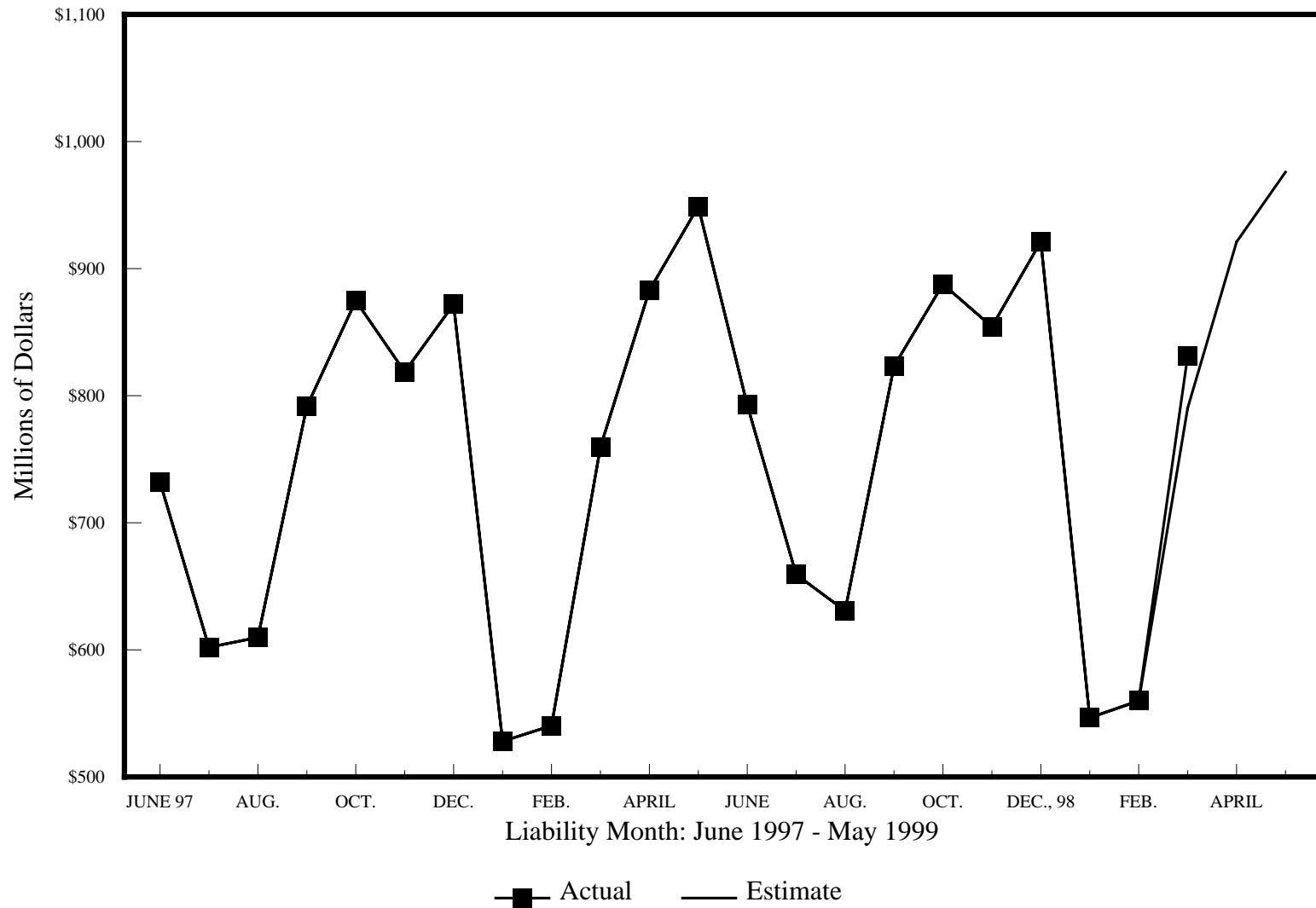
Dept. of Licensing: General Fund - Actual Vs. Estimate

1997-99 Biennium - March 1999 Forecast



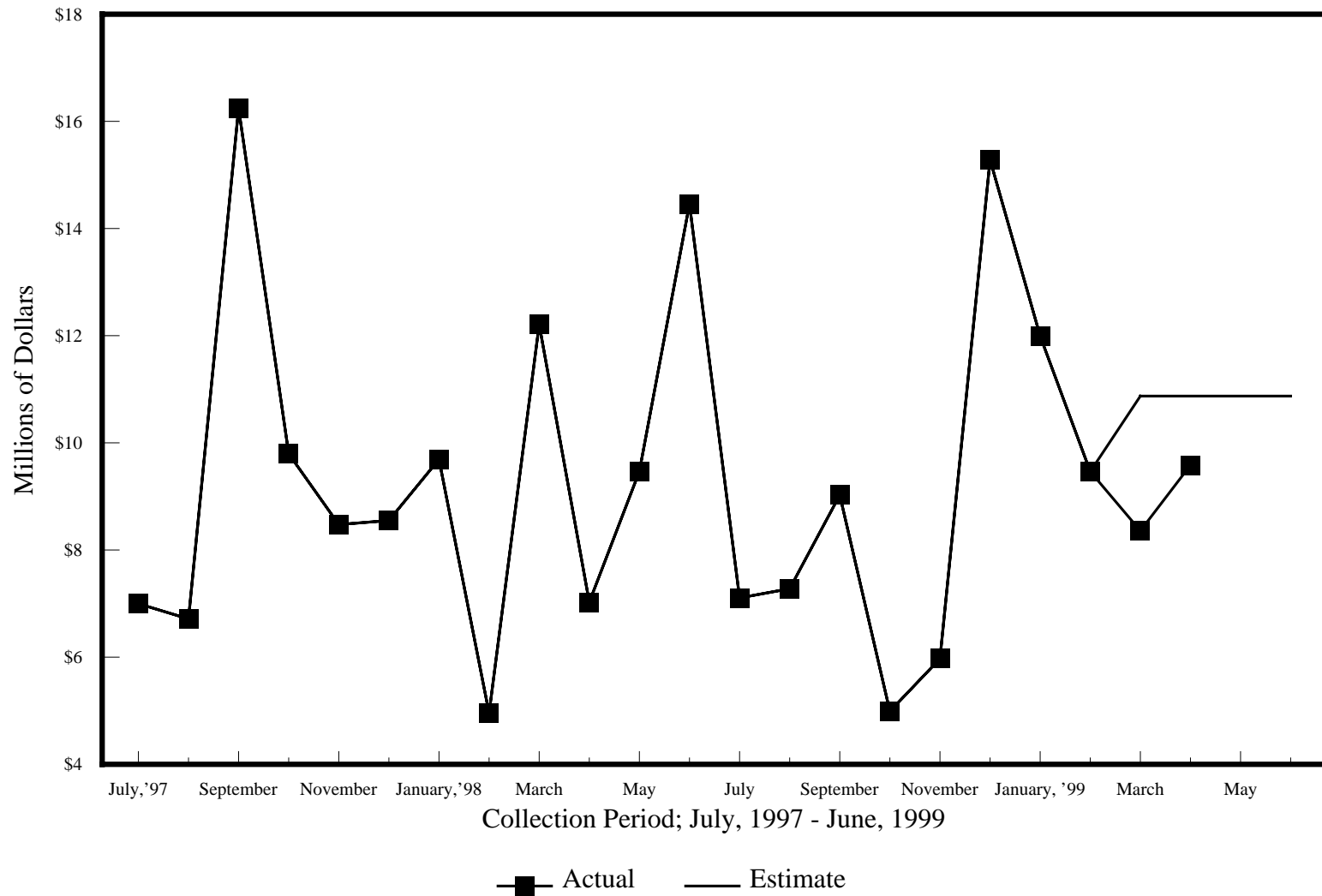
Department of Revenue - General Fund: Actual Vs. Estimate

1997-99 Biennium - March 1999 Forecast



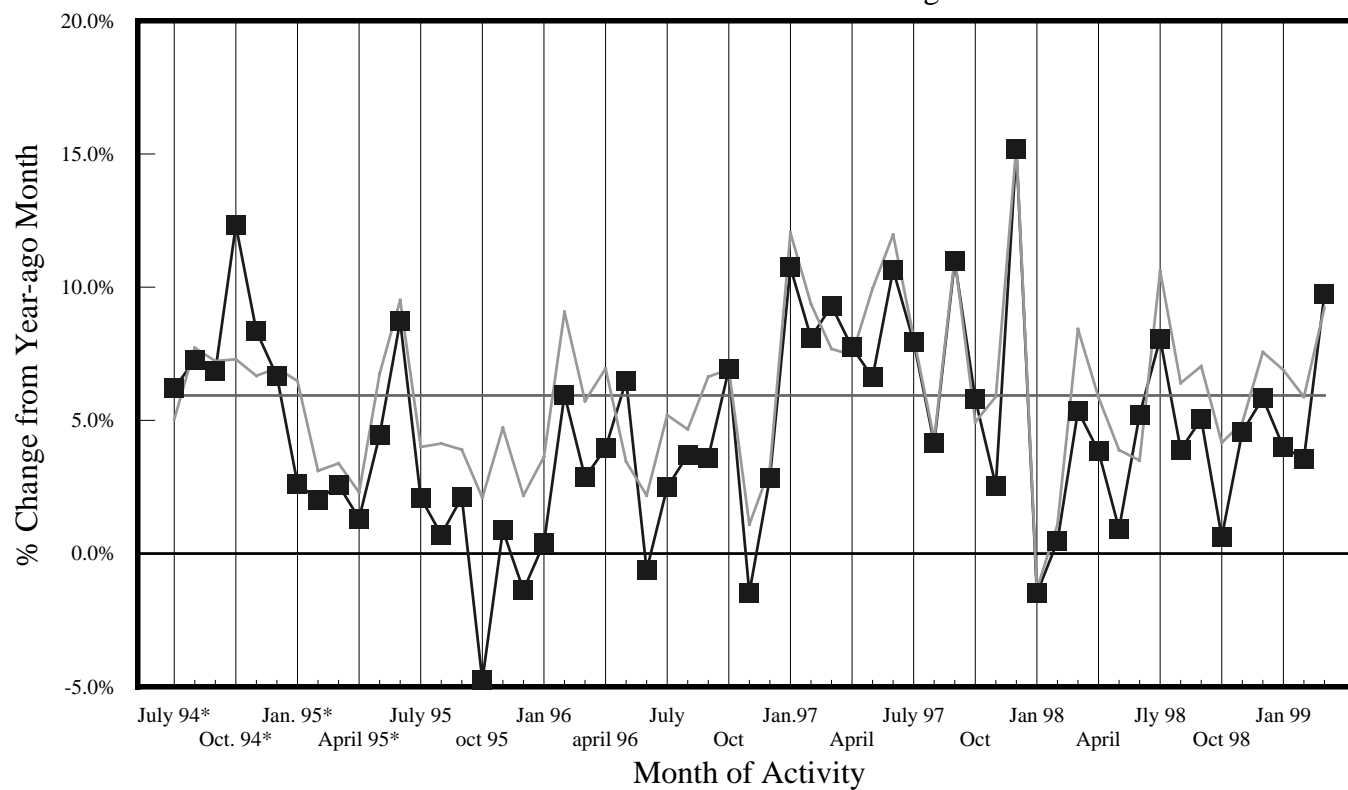
Lottery General Fund Transfers: Actual Vs. Estimate

1997-99 Biennium - March 1999 Forecast



Revenue Act Net Collections

Year-over-Year Percent Change



■ %CH from year-ago month

— Ave. Growth fys: 95-98: 5.9% (Adj. for Legislation)

— % Change from year-ago, adjusted for large audits & legislation